



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 6, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **EPISCOPAL DIOCESE OF LOS ANGELES – A DEPARTMENT OF
PUBLIC SOCIAL SERVICES REFUGEE EMPLOYMENT PROGRAM
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Episcopal Diocese of Los Angeles (EDLA or Agency), which included a sample of transactions from July 2013 through February 2015. The Department of Public Social Services (DPSS) contracts with EDLA, a non-profit organization, to operate the Refugee Employment Program (REP) and the REP Older Refugee Discretionary Grant (REP-ORDG) Program.

The REP provides services to refugees who have resided in the United States for less than five years. REP services include performing skills and needs assessments, facilitating job placement and retention services, and referring participants to additional available resources. The REP-ORDG Program provides naturalization, citizenship, and other senior services to refugees who are 60 years of age or older.

The purpose of our review was to determine whether EDLA appropriately accounted for and spent REP and REP-ORDG Program funds to provide the services outlined in their County contract. We also evaluated the Agency's financial records, internal controls, and compliance with their County contract and other applicable guidelines.

DPSS paid EDLA approximately \$787,000 on a fixed-fee basis from July 2013 through February 2015. The contract requires the Agency to reinvest or return any unspent revenues to DPSS. EDLA provides services to residents of the First, Second, Third, and Fourth Supervisorial Districts.

Results of Review

EDLA provided services to eligible clients, recorded and deposited DPSS cash receipts timely, and Agency staff had the required qualifications to provide Program services. However, the Agency did not always comply with all of their County contract requirements. Specifically, EDLA:

- Allocated \$16,031 to DPSS for unsupported payroll and non-payroll expenditures. The Agency also overpaid two hourly employees and overbilled DPSS \$476.

EDLA's attached response indicates that they will reallocate all expenditures charged to the REP and REP-ORDG Programs, and ensure that all expenditures are properly supported. In addition, EDLA's attached response indicates that they will work with DPSS to repay or reinvest any unspent funds or unsupported amounts.

- Did not require their full-time salaried employees to complete or sign time sheets.

EDLA's attached response indicates that they revised their policy and all employees who work on the REP are now completing and signing time sheets and attendance records.

- Did not prepare their Cost Allocation Plan (Plan) in compliance with their County contract.

EDLA's attached response indicates that they revised their Plan using an appropriate cost allocation methodology.

- Charged the REP for facilities leased from a related party without submitting a statement to DPSS to disclose the related party transactions as required.

EDLA's attached response indicates that they have revised their policy and notified DPSS of all related party transactions.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with EDLA and DPSS. EDLA's attached response (Attachment II) indicates agreement with our findings and recommendations. DPSS will work with EDLA to ensure that our recommendations are implemented.

We thank EDLA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:pn

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Sheryl L. Spiller, Director, DPSS
The Right Reverend J. Jon Bruno, Board President, EDLA
Meghan Taylor, Executive Director, EDLA
Public Information Office
Audit Committee

**EPISCOPAL DIOCESE OF LOS ANGELES
REFUGEE EMPLOYMENT PROGRAM
CONTRACT COMPLIANCE REVIEW
JULY 2013 THROUGH FEBRUARY 2015**

ELIGIBILITY

Objective

Determine whether Episcopal Diocese of Los Angeles (EDLA or Agency) maintained documentation to support the eligibility of clients that the Agency claimed received Refugee Employment Program (REP) and REP Older Refugee Discretionary Grant (REP-ORDG) Program services.

Verification

We reviewed the documentation stored in the case files for 13 (4%) of the 341 clients that the Agency claimed received REP services and for five (42%) of the 12 clients that the Agency claimed received REP-ORDG Program services during December 2014.

Results

EDLA maintained documentation to support the eligibility of the 18 clients reviewed who received REP or REP-ORDG Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether EDLA maintained documentation to support the services charged to the Department of Public Social Services (DPSS) and whether the clients received the billed services.

Verification

We reviewed the case files for 13 (4%) of the 341 clients that the Agency claimed received REP services and for five (42%) of the 12 clients that the Agency claimed received REP-ORDG Program services during December 2014.

Results

EDLA maintained documentation to support the services provided to the 18 clients reviewed.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether EDLA's staff had the required qualifications to provide Program services.

Verification

We reviewed the personnel files for five (56%) of the nine EDLA staff who provided services to REP and REP-ORDG Program clients during December 2014.

Results

EDLA's five staff reviewed had the required qualifications to provide Program services.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether EDLA properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were prepared timely, and reviewed and approved by Agency management.

Verification

We interviewed EDLA's management, and reviewed their financial records and February 2015 bank account reconciliations for two bank accounts.

Results

EDLA properly recorded revenue in their financial records, deposited DPSS cash receipts into their bank accounts timely, and bank account reconciliations were prepared timely, and reviewed and approved by Agency management.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES**Objective**

Determine whether EDLA developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the REP and REP-ORDG Programs were allowable, properly documented, and appropriately allocated.

Verification

We interviewed EDLA personnel, and reviewed their Plan and financial records for 19 non-payroll expenditures, totaling \$12,648, that the Agency charged to the REP and REP-ORDG Programs from July through December 2014.

Results

EDLA did not develop their Plan in compliance with their County contract using an appropriate cost allocation methodology. Specifically, the Agency's Plan indicated that they would use contract budgets to allocate shared expenditures to the REP and REP-ORDG Programs, which is unallowable. In addition, EDLA inappropriately charged \$12,648 (100%) in non-payroll expenditures reviewed to the REP and REP-ORDG Programs. Specifically, EDLA inappropriately allocated:

- \$10,990 in non-payroll expenditures to the REP and REP-ORDG Programs based on one twelfth of their annual contract budget, instead of actual expenditures as required. In addition, EDLA did not provide us with documentation, such as original invoices, receipts, cancelled checks, and/or lease agreements, to support these expenditures.
- \$1,658 to the REP for shared expenditures (i.e., rent, utilities, equipment, etc.) based on contract budgets, instead of using allowable methods based on actual conditions as required.

In addition, we noted that the Agency charged the REP for facilities leased from a related party without submitting a statement to DPSS to disclose the related party transactions as required.

Recommendations

Episcopal Diocese of Los Angeles management:

- 1. Reallocate all expenditures charged to the Refugee Employment Program and Refugee Employment Program Older Refugee Discretionary Grant Programs during the contract term, provide the Department of Public Social Services with supporting documentation, and repay any unallowable or unsupported amounts.**
- 2. Ensure that all expenditures charged to the Refugee Employment Program and Refugee Employment Program Older Refugee Discretionary Grant Programs are allowable, properly documented, and appropriately allocated.**
- 3. Develop a Cost Allocation Plan that complies with their County contract.**
- 4. Ensure that all related party transactions are disclosed to the Department of Public Social Services prior to submitting payment as required.**

PAYROLL AND PERSONNEL

Objective

Determine whether EDLA maintained personnel files as required and charged expenditures to the REP and REP-ORDG Programs that were allowable, properly documented, and appropriately allocated.

Verification

We compared the payroll expenditures for five employees, totaling \$6,613 for December 2014, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed personnel files for five REP employees.

Results

EDLA maintained personnel files as required. However, EDLA inappropriately charged \$1,684 (25%) of the \$6,613 in payroll expenditures reviewed to the REP. Specifically, EDLA inappropriately:

- Allocated \$1,208 in payroll expenditures to the REP for two employees who worked on County and non-County programs based on predetermined rates, instead of actual conditions as required. The Agency also used predetermined rates to inappropriately allocate \$2,175 in employee benefit expenditures to the REP for December 2014.
- Overpaid two hourly employees and overbilled DPSS \$476. Specifically, EDLA paid each employee for 20 hours, instead of the six actual hours worked on December 31, 2014.

In addition, EDLA did not require their full-time salaried employees to complete time sheets. As a result, the Agency did not have time and attendance records for three (60%) of the five employees reviewed.

Recommendations

Refer to Recommendations 1 and 2.

- 5. Episcopal Diocese of Los Angeles management ensure all employees who work on the Refugee Employment Program certify the time they work by completing and signing time and attendance records.**

CLOSE-OUT REVIEW

Objective

Determine whether EDLA's close-out expenditure reports reconciled to their financial records and whether the Agency had any unspent revenue for Fiscal Year (FY) 2013-14.

Verification

We compared the total revenues and expenditures from EDLA's FY 2013-14 close-out expenditure reports to the Agency's accounting records, and to DPSS payment records.

Results

EDLA's close-out expenditure reports for FY 2013-14 indicated that they did not have any unspent revenue for FY 2013-14. However, EDLA needs to revise their accounting records based on our recommendations above, provide DPSS with revised close-out expenditure reports for FY 2013-14, and work with DPSS to return or reinvest any unspent revenue.

Recommendation

- 6. Episcopal Diocese of Los Angeles management revise their accounting records based on our recommendations above, provide the Department of Public Social Services with revised close-out expenditure reports for Fiscal Year 2013-14, and work with the Department of Public Social Services to return or reinvest any unspent revenue.**



March 14, 2016

TO: John Naimo, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

FROM: Meghan Taylor (Tumilty), Executive Director
Episcopal Diocese of Los Angeles
IRIS Refugee Employment Program
3621 Brunswick Avenue
Los Angeles, CA 90039

SUBJECT: EPISCOPAL DIOCESE OF LOS ANGELES RESPONSE TO THE DEPARTMENT OF
PUBLIC SOCIAL SERVICES REFUGEE EMPLOYMENT PROGRAM PROVIDER –
CONTRACT COMPLIANCE REVIEW COVERING JULY 2013 – FEBRUARY 2015

The Episcopal Diocese of Los Angeles acknowledges receipt of the contract compliance review of Episcopal Diocese of Los Angeles which covered a sample of transactions from July 2013 through February 2015. The six recommendations and EDLA's responses are below:

- 1. Reallocate all expenditures charged to the Refugee Employment Program and Refugee Employment Program Older Refugee Discretionary Grant Programs during the contract term, provide the Department of Public Social Services with supporting documentation, and repay any unallowable or unsupported amounts.**

EDLA response to recommendation #1: EDLA is communicating with the Department to reach a resolution. EDLA is meeting with the Department to discuss the options EDLA has to reinvest and/or repay in accordance with contract section 5.11.4. EDLA will review and reallocate costs. The method EDLA uses will be an agreed upon accounting method with the Department and all costs will be supported by backup documentation. Should any amount be unspent or unsupported, EDLA will work with the Department to reinvest or repay amounts these amounts.

- 2. Ensure that all expenditures charged to the Refugee Employment Program and Refugee Employment Program Older Refugee Discretionary Grant Programs are allowable, properly documented, and accurately billed.**

The Episcopal Diocese of Los Angeles (EDLA) - Interfaith Refugee and Immigration Service
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EDLA response to recommendation #2: EDLA has updated its cost allocation plan in order to ensure that moving forward expenditures and allocations are allowable, documented and accurately billed. Moving forward EDLA ensures that each expenditure is legitimate, has documentation to support it and that it is properly allocated when divided amongst other programs

3. Develop a Cost Allocation Plan that complies with their County contract.

EDLA response to recommendation #3: EDLA has updated its Cost Allocation Plan in compliance with its County contract using appropriate cost allocation methodology. This plan addresses allocation of shared expenditures, payroll and non-payroll expenditure allocations.

4. Ensure that all related party transactions are disclosed to the Department of Public Social Services prior to submitting payment as required.

EDLA response to recommendation #4: EDLA has revised its policy and has notified DPSS Contract Management Division of any third party transactions.

5. Episcopal Diocese of Los Angeles management ensure all employees who work on the Refugee Employment Program certify the time they work by completing and signing time and attendance records.

EDLA response to recommendation #5: EDLA has revised its policy and now ensures that all employees who work on the Refugee Employment Program certify the time they work by completing and signing time sheets and attendance records.

6. Episcopal Diocese of Los Angeles management revise their accounting records based on our recommendations above, provide the Department of Public Social Services with revised close-out expenditure reports for Fiscal Year 2013-14, and work with the Department of Public Social Services to return or reinvest any unspent revenue.

EDLA response to recommendation #6: EDLA is in communication with the Department and is working with them to return or reinvest any unspent revenue.

Sincerely,



Meghan Taylor
Executive Director
Episcopal Diocese of Los Angeles
Interfaith Refugee & Immigration Service